



AUDIT COMMITTEE

Notice of a Meeting, to be held in the Council Chamber - Ashford Borough Council on Tuesday, 1st October, 2019 at 7.00 pm.

The Members of the Audit Committee are:-

Councillor Krause (Chairman)
Councillor Link (Vice-Chairman)

Cllrs. Hayward, Mulholland, Shorter, Smith, Suddards and Wright

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DS/KM
20 September 2019

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Declarations of Interest (see also “Advice to Members” below)

- (a) **Disclosable Pecuniary Interests (DPI)** under the Localism Act 2011, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares a DPI in relation to any item will need to leave the meeting for that item (unless a relevant Dispensation has been granted).

- (b) **Other Significant Interests (OSI)** under the Kent Code of Conduct relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares an OSI in relation to any item will need to leave the meeting before the debate and vote on that item (unless a relevant Dispensation has been granted).

However, prior to leaving, the Member may address the Committee in the same way that a member of the public may do so.

- (c) **Voluntary Announcements of Other Interests** not required to be disclosed under (a) and (b), i.e. announcements made for transparency alone, such as:

- Membership of amenity societies, Town/Community/Parish Councils, residents' groups or other outside bodies that have expressed views or made representations, but the Member was not involved in compiling or making those views/representations, or
- Where a Member knows a person involved, but does not have a close association with that person, or
- Where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position.

[Note: Where an item would be likely to affect the financial position of a Member, relative, close associate, employer, etc.; OR where an item is an application made by a Member, relative, close associate, employer, etc., there is likely to be an OSI or in some cases a DPI. ALSO, holding a committee position/office within an amenity society or other outside body, or having any involvement in compiling/making views/representations by such a body, may give rise to a perception of bias and require the Member to take no part in any motion or vote.]

Advice to Members on Declarations of Interest:

- (a) Government Guidance on DPI is available in DCLG's Guide for Councillors, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5962/2193362.pdf
- (b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, and a copy can be found in the Constitution alongside the Council's Good Practice Protocol for Councillors dealing with Planning Matters. See <https://www.ashford.gov.uk/media/2098/z-word5-democratic-services-constitution-2019-constitution-of-abc-may-2019-part-5.pdf>
- (c) Where a Member declares a committee position or office within, or membership of, an outside body that has expressed views or made representations, this will be taken as a statement that the Member was not involved in compiling or making them and has retained an open mind on the item(s) in question. If this is not the case, the situation must be explained.

If any Member has any doubt about any interest which he/she may have in any item on this agenda, he/she should seek advice from the Director of Law and Governance and Monitoring Officer, or from other Solicitors in Legal and Democracy as early as possible, and in advance of the Meeting.

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Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **30th July 2019**.

Present:

Cllr. Krause (Chairman);
Cllrs. Hayward, Mulholland, Shorter, Smith, C Suddards, Wright.

Also Present:

Cllr. Bell.

Head of Finance and IT, Senior Accountant, Senior Accountant, Member Services Officer.

Audit Manager – Grant Thornton UK.

98 Declarations of Interest Audit Manager

Councillor	Interest	Minute No.
Smith	Made a Voluntary Announcement as he drew and received added years for a Local Government Pension	100

99 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 18th June 2019 be approved and confirmed as a correct record.

100 Statement of Accounts 2018/19 and the External Auditors Findings

The Senior Accountant apologised for the lateness of the reports, this had occurred for the reasons highlighted at the previous meeting of the Committee in June. There had been two national issues that required resolving;

- The “McCloud/Sargeant case” - an age discrimination matter pertaining to pensions, this had been resolved through the courts process with the Government not being given leave to appeal the decision. This had resulted in an increased liability of £1.3m.
- An issue pertaining to the Councils interpretation of IFRS9, both Grant Thornton and the Council had sought legal advice on this matter. This had taken some time to resolve, and she was pleased to report that a resolution had been found.

There were two amendments to note, as contained within the Tabled Paper circulated earlier in the day. Firstly, a Movement in Reserves Statement on page 11 which changed the subtotal description “Net increase or decrease before transfers to Earmarked Reserves” to “Net increase or decrease”. Secondly, a change to Note 22 Disclosure Note – Page 58 to change the Short Term Debtors Value from £5,993 to £6,313.

The Chairman expressed his gratitude to Grant Thornton for all of their hard work on this matter. He was new to the position of Chairman, however it was clear to see the level of time and work that had gone into this process. The Portfolio Holder echoed this and extended his thanks to the Accountancy Team who had put in a lot of work to get the Accounts to the Committee in time.

The Audit Manager – Grant Thornton UK apologised for the lateness of the reports and acknowledged that the issues already discussed had taken time to resolve. He went through the Auditors Findings, which formed Appendix B to the report. He drew attention to the ‘Headlines’, which included the issues highlighted by the Senior Accountant and the reporting guidelines under which they were required to report. Grant Thornton had no adverse comments to make and he confirmed that they had given an unqualified audit opinion and unqualified value for money conclusion. There were a few minor errors, which were not significant but required reporting to Members and these were detailed under the Headlines section of their report. In respect of ‘Significant Risks’ that had been identified these were common across Local Authorities and included the valuation of land and buildings within the Council’s ownership, and the valuation of pension fund net liability. These areas were looked at in depth and no concern had been raised over these. Drawing attention to the ‘Value for Money’ section of the report, this was a risk based approach and assessed the financial sustainability of the Council. The Audit Manager – Grant Thornton UK drew attention to the “strong” ongoing Medium Term Financial Planning process adopted by the Council and the proactive approach to dealing with reductions in Government funding. Brexit had also been identified as a risk area, the original exit date had been March 2019 which would have fallen within this accounting period. Since the change of date to October 2019 it no longer fell within this accounting period, however the level of work undertaken by the Council on planning for Brexit, as had been seen through a presentation to this Committee in December 2018 and the work in Kent as a whole, demonstrated the level of planning that was taking place. Moving on to the previous year’s recommendations, he drew attention to journals, and the fact the Council did not require authorisation for each journal and these were reviewed on a risk basis instead. This was not a recommendation that had been acted upon, although it was noted that there were other controls in place and there had been no adverse outcome due to this.

In response to a question on this, the Head of Finance and IT advised that historically a paper based system had been in place, which required signing off by another person. It was only professional staff undertaking this processing and they did not require each process to be signed off. Any errors would be identified at budget close and as part of her role she undertook quarterly checks on all journals.

The Audit Manager – Grant Thornton UK advised 2% Gross Expenditure was an industry standard for Local Authorities. It was generally less about the income generation and more factored towards expenditure. The materiality for the Council

and its component group, the Property Company, meant that this was set slightly lower for individual groups and made almost no difference to the total figure.

The Audit Committee wished to put on record their thanks to the Accountancy and Grant Thornton Teams for all of their hard work and dedication in producing the accounts.

Resolved:

That the Audit Committee

- (i) Considered the Appointed Auditor's Audit Findings (Appendix A)**
- (ii) Approves the audited 2018/19 Statement of Accounts (Appendix B)**
- (iii) Approves that the Chairman of this Committee signs and dates the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003 as approved by the Council**
- (iv) Approve the Chief Financial Officer's Letter of Representation to the Appointed Auditor (Appendix C)**

101 2018/19 Financial Statements - Letters of Assurance to External Auditors

The Head of Finance & IT drew attention to the Letters of Assurance to the External Auditors contained within the agenda papers.

Resolved:

That the Audit Committee endorses the Chairman's and Management's assurance letters

102 Report Tracker for Future Meetings

The Chairman drew Members' attention to the Tracker and in particular the change of date of the next meeting and the items to be discussed at that. An update report on Brexit would be provided at that meeting, which was endorsed by the Committee.

Resolved:

That the Schedule of Meetings be noted.

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Agenda Item No: 4
Report To: Audit Committee
Date of Meeting: 1 October 2019
Report Title: Internal Audit Charter
Report Author & Job Title: Rich Clarke: Head of Audit Partnership
Portfolio Holder Cllr. Neil Bell, Finance & IT
Portfolio Holder for:

Summary:	<p>An Internal Audit Charter is a requirement of Public Sector Internal Audit Standards and seeks to describe how the Standards are applied in the specific context of an individual organisation.</p> <p>This is a scheduled annual review of the Charter, but contains no significant changes from previous.</p>
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Key Decision: No

Significantly Affected Wards: N/A

Recommendations: **The Committee is recommended to:-**

I. Approve the Internal Audit Charter

Policy Overview: N/A

Financial Implications: No new implications.

Legal Implications Allows the Council to maintain conformance with the Accounts & Audit Regulations 2015

Equalities Impact Assessment Not required.

Other Material Implications: N/A

Exempt from Publication: **NO**

Background Papers: The Charter draws on various sources of external professional guidance and standards. These are hyperlinked within the document.

Contact: rich.clarke@ashford.gov.uk – Tel: 07973 748 127

Report Title: Internal Audit Charter

Introduction and Background

1. Public Sector Internal Audit Standards (the “Standards”) prescribe a Charter that sets out the purpose, authority and responsibility of the Council’s internal audit service. The Charter also affirms and accepts the professional standards governing the practice of internal audit at the Council.
2. This Committee approved a previous version of the Internal Audit Charter. The Council must review and update the Charter periodically to reflect changes in Standards and practice, most notably the 2017 update to Standards. The Charter attached for approval draws from a model document published by the Institute of Internal Audit (IIA), adapted for the Council’s circumstances and edited for clarity.
3. An Audit Charter is prescribed by Public Sector Internal Audit Standards (Standard 1000) and is a foundational document setting out the size and scope of the service. A partial extract, describing the Standards requirement is below:

1000 Purpose, Authority and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity’s purpose, authority and responsibility. The internal audit charter establishes the internal audit activity’s position within the organisation, including the nature of the chief audit executive’s functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

Public sector requirement

The internal audit charter must also:

- define the terms ‘board’ and ‘senior management’ for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

1000.A1

The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.

1000.C1

The nature of consulting services must be defined in the internal audit charter.

4. Later this year the internal audit service will undergo an External Quality Assessment on conformance with the Standards. Ahead of that assessment provides a good opportunity to revisit the Charter and update it for changes to Standards and development of audit practice. We have also taken the opportunity to clarify and simplify the Charter.
5. Notable sections of the Charter include:
 - Confirmation of adherence to the Standards and various other regulatory and professional guidance (paragraphs 3-5 of the Charter)
 - Description of the Committee's role in support internal audit's independence and effectiveness (paragraphs 8-10 of the Charter)
 - Confirmation of Mid Kent Audit's operational independence and details of how to identify and resolve conflicts of interest (paragraphs 12-19)
 - The quality standards of internal audit and how these will be maintained (paragraphs 21-25)
 - Responsibilities of the Head of Audit Partnership for the service (paragraphs 26-27)

Proposal/Current Position

6. We recommend the Committee approves the attached Charter. This will ensure continued adherence to professional Standards and the Council holds a Charter which fully and accurately sets out the purpose, authority and responsibilities of internal audit at the Council.
7. The Council currently has a Charter that remains valid unless and until replaced. However the current draft has fallen behind developments in Standards and also no longer accords precisely to the practice of internal audit at the authority. For example, it does not clearly set out the required quality standards.

Implications and Risk Assessment

8. The Charter essentially describes internal audit as practiced at the Council and so introduces no new risks.

Next Steps in Process

9. The Charter becomes effective once approved.

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Internal Audit Charter Ashford Borough Council

Purpose & Mission

1. The purpose of Ashford Borough Council's (the "Council") internal audit service ("Mid Kent Audit") is to provide independent, objective assurance and consulting services designed to add value and improve the Council's performance. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. Mid Kent Audit helps the Council achieve objectives with a systematic, disciplined approach to evaluating and improving effectiveness of governance, risk management and control.
2. Final approval of the Charter rests with the Audit Committee (the "Committee"). The Head of Audit Partnership will keep the Charter under review and re-present for approval each year after consultation with Senior Management.

Standards for the Professional Practice of Internal Auditing

3. Mid Kent Audit will govern itself by adherence to the compulsory parts of the Institute of Internal Auditors' (IIA) [International Professional Practices Framework \(IPPF\)](#). These include:
 - The Core Principles for the Professional Practice of Internal Auditing.
 - The [Code of Ethics](#).
 - The International Standards for the Professional Practice of Internal Auditing. In the UK by the Internal Audit Standards Advisory Board and the Relevant Internal Audit Standards Setters adapt these into [the Public Sector Internal Audit Standards](#) (the "Standards").
 - The Definition of Internal Auditing set out by the IIA.

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4. Mid Kent Audit will also govern itself under the *Local Government Application Note (2019 Edition)*¹ set out by the Chartered Institute of Public Finance & Accounting (CIPFA). Auditors who belong to other professional institutes will also adhere to the relevant Code of Ethics.
5. The Head of Audit Partnership will report periodically to Senior Management and the Committee on Mid Kent Audit's conformance to the Code of Ethics and the Standards.

Authority

6. Internal Audit is a statutory service for local authorities as set out in the [Accounts & Audit Regulations 2015](#) (the "Regulations"). Specifically, Regulation 5 demands that authorities:
 - "... undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
7. The Head of Audit Partnership will report functionally to the Committee and administratively to the Mid Kent Services Director (an employee of Maidstone Borough Council). Within the Council, the Head of Audit Partnership will also liaise chiefly with the Director of Finance & Economy as a representative of Senior Management.
8. To assure that Mid Kent Audit has authority to fulfil its duties the Committee will:
 - Approve the Internal Audit Charter.
 - Approve the risk-based internal audit plan (including proposed resources).
 - Receive communications from the Head of Audit Partnership on Mid Kent Audit's performance against its plan and other matters.
 - Through the Chair, be consulted on appointment or removal of the Head of Audit Partnership.
 - Through the Chair, contribute to Head of Audit Partnership appraisals carried out by the Mid Kent Services Director.
 - Make suitable enquiries of management and the Head of Audit Partnership to discover any improper limits to audit scope or resources.

¹ The Application Note is a paid-for publication. We can provide copies to Members on request but cannot link in full through the public version of this Charter.

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- Require suitable explanations of planned actions, including through attendance in person, from lead officers following adverse engagement opinions.
9. The Head of Audit Partnership will have unrestricted access to, and communicate and interact direct with, the Committee including in private meetings without management present.
10. The Committee and Senior Management sanction Mid Kent Audit to:
- Have full, free and unrestricted access to all works, records, property and personnel relevant to carrying out any engagement. This is subject to accountability for confidentiality and safeguarding records and information.
 - Assign resources, set frequencies, select subjects, decide scopes of work, apply techniques needed to perform audit objectives and issue reports.
 - Seek and receive any support needed from the Council's personnel, including contractors, to complete engagements.
11. These duties also stem from Regulations. These direct the Council to: "make available such documents and records and supply such information and explanations as are considered necessary by those conducting the internal audit".

Independence and Objectivity

12. The Head of Audit Partnership will ensure Mid Kent Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities without bias. These include matters of audit selection, scope, procedures, frequency, timing and report content. The Head of Audit Partnership will report if independence or objectivity may be under threat in fact or appearance.
13. Internal auditors will preserve an unbiased approach that allows them to perform engagements objectively. They will believe in their work, make no quality compromises, and not subordinate their audit judgement to others.
14. Internal auditors will have no direct responsibility or authority over any of the subjects audited. So, internal auditors will not set up internal controls, develop procedures, prepare records, or engage in any other action that may hinder their judgement. This includes:
- Assessing services for which they had any responsibility within the previous year.
 - Setting up or approving transactions external to Mid Kent Audit.

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- Directing any Council employee not employed by Mid Kent Audit, except those properly assigned to help internal audit.
 - Reviewing parts of the Council staffed by close friends or family members.
15. Where the Head of Audit Partnership has roles that fall outside internal audit, the Council will set up safeguards to limit impacts to independence or objectivity.
16. At the Council, as set out in the audit plan, the Head of Audit Partnership also has on-demand ancillary advisory roles on counter fraud, risk management and investigative work.
17. In carrying out their roles auditors will follow the independence and objectivity principles in this Charter. On risk management, specifically, auditors will adhere to the guidance set out by the IIA in its position paper on *Risk Management and Internal Audit* [published on 11 July 2019](#).
18. Internal auditors will:
- Disclose any limit of independence or objectivity, in fact or appearance, to suitable parties.
 - Display professional objectivity in gathering, evaluating and communicating information about audit engagements.
 - Deliver balanced assessments of all available and relevant facts and circumstances.
 - Take necessary precautions to avoid undue influence by their own interests or by others in forming judgements.
19. The Head of Audit Partnership will confirm to the Committee at least yearly the organisational independence of Mid Kent Audit.
20. The Head of Audit Partnership will disclose to the Committee any interference and related implications in fixing the scope of internal audits, performing work or communicating results.

Scope of Internal Audit Work

21. The scope of internal audit work covers the Council's whole control environment. This includes objective examination of evidence to create independent assessments to the Committee, management and others on the adequacy and effectiveness of governance, risk management and control. Internal audit assessments include evaluating whether:
- The Council properly identifies and manages risks on its strategic and other objectives.
 - The actions of the Council's officers and contractors comply with the Council's policies, procedures and applicable laws, regulations and governance standards.
 - The results of Council work and programs are consistent with agreed goals and objectives.
 - The Council carries out its work and programs effectively and efficiently.
 - Council systems enable compliance with the policies, procedures, laws and regulations that could cause significant impact.
 - Information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity.
 - The Council gains assets economically, uses them efficiently and protects them adequately.
22. These assessments will lead to a Head of Audit Partnership opinion as described by the Standards. The opinion will report on the adequacy and effectiveness of the Council's internal control, corporate governance and risk management.
23. The Head of Audit Partnership will report periodically to senior management and the Committee about:
- Mid Kent Audit's purpose, authority and responsibility.
 - Mid Kent Audit's plan, and performance against its plan.
 - Mid Kent Audit's conformance with the IIA's Code of Ethics and Standards and action plans to address any significant issues.
 - Significant risk exposures and control issues, including fraud risks, governance issues and other matters demanding the attention of, or sought by, the Committee.
 - Results of audit engagement or other work.

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- Audit resource use and need.
 - Any management risk response that may be unacceptable to the Council.
24. The Head of Audit Partnership also coordinates work where possible, and considers relying on the work of other internal and external assurance and consulting service providers as needed. Mid Kent Audit may perform advisory and related client service work. Mid Kent Audit will agree the nature and scope of such work with the client, provided Mid Kent Audit does not assume management responsibility.
25. Mid Kent Audit may identify opportunities for improving the efficiency of governance, risk management and controls during engagements. Where identified, Mid Kent Audit will communicate these opportunities to management.

Responsibility

26. The Head of Audit Partnership has the responsibility to:
- Present, at least yearly, to senior management and the Committee a risk-based internal audit plan for review and approval.
 - Communicate to senior management and the Committee the impact of resource limits on the internal audit plan.
 - Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, programs, systems and controls.
 - Communicate immediately to senior management and the Committee any significant interim changes to the internal audit plan. A 'significant' change covers one or more of the following:
 - Removal of a 'high priority' audit engagement.
 - Commitments beyond the approved budget or resource envelope.
 - Other changes that, in the view of the Head of Audit Partnership, may inhibit ability of Mid Kent Audit to deliver a robust opinion as set out by the Standards.
 - Ensure each engagement of the internal audit plan adheres to quality standards. This includes:
 - Setting out suitable objectives and scope.
 - Assigning suitable and adequately supervised auditors.
 - Documenting work programs and testing results.
 - Communicating results with applicable conclusions and recommendations to proper parties.

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- Follow up on engagement findings and corrective actions. Report periodically to senior management and the Committee any corrective actions not taken effectively.
 - Ensure application of and adherence to the principles of integrity, objectivity, confidentiality and competency.
 - Ensure that Mid Kent Audit collectively has or gains the knowledge, skills and other competencies needed to fulfil this Charter.
 - Ensure consideration of trends and emerging issues that could impact and communicating these to senior management and the Committee as fitting.
 - Ensure consideration of emerging trends and successful practices in internal auditing.
 - Set up and ensure adherence to policies and procedures designed to guide Mid Kent Audit's work.
 - Ensure adherence to the Council's relevant policies and procedures, unless such policies and procedures conflict with the Charter. Report any such conflicts to senior management and the Committee with a suggested path to resolution.
27. The Council will also consider CIPFA's Statement on the Role of the Head of Internal Audit in Public Sector Organisations ([2019 edition](#)). In particular when setting job roles and overseeing performance of the Head of Audit Partnership.

Quality Assurance and Improvement Programme

28. Mid Kent Audit will keep a quality assurance and improvement programme that covers all its work. The programme will include an evaluation of conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of Mid Kent Audit's work and identify opportunities for improvement.
29. The Head of Audit Partnership will communicate to senior management and the Committee on the quality and improvement plan. This will include results of internal assessments and an external assessment conducted at least once every five years by a qualified, independent assessor.

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Charter Approval

This Charter is authorised within Ashford Borough Council by:

Ben Lockwood: Director of Finance & Economy

Councillor Larry Krause: Chairman of the Audit Committee

With the agreement of:

Rich Clarke: Head of Audit Partnership

Steve McGinnes: Mid Kent Services Director

Glossary and Standards Reconciliation

- **The Audit Committee (“Committee”)** is the ‘Board’ as referenced by Standard 1000 and elsewhere in the Standards.
- **The Head of Audit Partnership** is the ‘Chief Audit Executive’ as referenced by Standard 1000 and elsewhere in the Standards.
- **The Council’s Directors** are ‘Senior Management’ as referenced by Standard 1000 and elsewhere in the Standards. This group includes the Council’s Chief Executive, Monitoring Officer and s.151 Officer.
- **Officers noted on the Management Structure** or their delegates are ‘Management’ as referenced by Standard 1000 and elsewhere in the Standards.



Agenda Item No: 6

Report To: Audit Committee

Date of Meeting: 1 October 2019

Report Title: Corporate Risk Register – update October 2019

Report Author & Job Title: Charlotte Hammersley, Compliance and Data Protection Manager

Portfolio Holder Cllr. Neil Bell
Portfolio Holder for: Finance and IT

Summary: Twice a year the Audit Committee considers the council's corporate risks and is asked to note the updated assessments and to agree the adequacy of key controls to manage the risks. This report fulfils those obligations.

The Corporate Risk register is assessed using the Risk Management Framework adopted by the Cabinet in April 2018.

Recommendations: **The Audit Committee is recommended to:-**

Consider the Corporate Risk Register and agree the assessments and the adequacy of key controls to manage the risks.

Policy Overview: Risk Management Framework

Financial Implications: None at this stage

Legal Implications None at this stage.

Equalities Impact Assessment Not required because equalities issues are assessed at the point the project or service the risk relates to are incepted.

Exempt from Publication: **NO**

Background Papers: **Risk Management Framework**

Contact: charlotte.hammersely@ashford.gov.uk – Tel: (01233 330878)

Report Title: Corporate Risk Management – update report March 2019

Introduction and Background

1. Twice a year the Audit Committee considers the council's Corporate Risks and risks management processes. This report is an update report providing the latest information on the council's Corporate Risk Register.

The Corporate Risk Register is set out at Appendix A.

Proposal/Current Position

2. The Corporate Risk Register provides details of the council's key risks that could, if untreated, impact on the council's Strategic aims, Financial position or Compliance with the law. Operational risks are monitored regularly by individual services and the council's Management Team on an exception basis. Any risks that become of strategic significance are also reported to this Committee. Services are currently reviewing their risks as part of the service planning process for 2020/21.
3. The Corporate Risk Register is linked to the risk appetite statement which is contained within the Risk Management Framework. The statement is designed to inform decision making about the amount of acceptable risk within which the council chooses to operate. Risks that fall outside of the council's appetite are reported to the Audit Committee. The appetite statement sets out that the council has a moderate appetite to strategic risks, a low appetite to financial risks and a very low appetite to compliance risks. The Corporate Risk Register is informed by those risks that are currently above the risk appetite levels set. The risk appetite statement will be reviewed in light of the council's Corporate Plan for 2020 which is currently being developed.
4. Set out at Appendix A are details of the risks included the current Corporate Risk Register which provides details of individual risks and explains the current position or any further action that may need to be taken to manage the risk.
5. This report highlights any changes to the risk profiles since the last update, provides details of any new risks that have been included on the register and those that have been managed down to a level where they no longer require reporting on.

Strategic Risks

6. As reported at previous meetings of the Audit Committee, there is no separate risk on the Corporate Risk Register relating to Brexit, risks such as commercial property rents and the economic down turn have been scored to include the impact of exiting the European Union. The council's Management Team continue to monitor a specific risk register relating to Brexit to ensure potential risks are identified and contingency plans made. For example, the impact on our contractors, transport and workforce. The potential impact of Brexit remains a dynamic risk environment.

Increased risk profile

7. The risk of having insufficient resources to respond to the Homelessness Reduction Act has been raised in light of current vacant posts within the Housing Options Team. In response the structure of the team has been reviewed and proposals are being taken to the council's Management Team.

Reduced risk profile

8. The Ashford Spurs project involves works to platforms 3 and 4 to ensure trains can access the station and implementation of KVN signaling. The project programme is on target for delivery by the end of December 2019. In light of the progress made, the project has moved back within the council's risk appetite since the last update and has therefore been removed from the Corporate Risk Register this quarter. The risk of not delivering this project has reduced to within the council's risk appetite and therefore doesn't feature on the risk register this time.
9. This risk of having insufficient resources to support projects has reduced to within tolerated levels since the last quarter with further resilience being created through recruitment to key posts. It has therefore been removed from the Register this time. The council's Programme Management Group and Service Planning arrangements continue to assess resourcing requirements of existing and new projects.

Financial Risks

Increased risk profile

10. A number of the council's financial risks have moved outside of the risk appetite over this period. These include pressures to parking income, the council's commercial investment portfolio and the costs associated with the repair and maintenance of the council's assets. The budget monitoring report to Cabinet of 12 September 2019 sets out in detail the range of measures the council is implementing in response to these budget pressures.

Compliance Risk

Reduced risk profile

11. The memorial headstone inspection programme has been removed from the register. Following a two-year programme, the inspections have been completed and a rolling programme of recorded inspections is co-ordinated by the council's Cemeteries Officer.
12. The risk of failing to implement new warding arrangements arising from the ward boundary review has been removed from the register. The warding arrangements were implemented successfully at the May 2019 local elections.

Conclusion

13. Risk owners have reviewed and reassessed the risks and controls within their specific areas and are satisfied that this report and attached Appendix represent an accurate picture of the current risks to the organisation.
14. The Corporate Risks Register will be presented again to the Audit Committee in six months time in accordance with the Risk Management Framework where a further update will be provided on current risks and notable changes to the Register.

Contact and Email

Charlotte Hammersley, Compliance and Data Protection Manager

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Strategic risks

Report Type: Risks Report

Report Author: Charlotte Hammersley

Generated on: 19 September 2019



Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 FINIT 003	Successful cyber attack	Data breach Loss of service Reputation Financial		Staff training Patching, firewall, policy rules Emergency planning exercise		<p>Two simulated "phishing" attacks carried out in July as part of ongoing awareness exercises, targeting Management Team and all councillors, plus officers who did not pass the last exercise and any new 2019 officers. Carrying on from corporate wide exercise carried out in December 2018.</p> <p>The risk profile remains high to reflect the national risk register.</p>
CR17 FINIT 009	Recession	Loss of income Increased caseload Increased demand for Housing and Revenues and Benefits Services		Regular communication with Arlingclose Increased minimum reserves balance		<p>The impact could be high on services and commercial income could be at risk. There are a number of controls around collection and risk reserves are in place. Whilst the overall impact would be reduced due to these measures but the impact could still be high.</p>

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 HOU S002	Insufficient resources to respond to Homelessness Reduction Act	Increase in the number of people presenting themselves as at risk of homelessness. Increase in workload due to need to develop personal homelessness reduction plans.		<p>Staff structure being put in place to best respond to the Act</p> <p>Prevention tools increased</p> <p>Effective use of temporary accommodation</p> <p>IT solution being procured.</p>	↑	Following the implementation of the Homelessness Reduction Act we have now had the opportunity to review the current structure of the Housing Options Team and revised proposals will be taken to Management Team imminently.
CR17 HOU S005	Increasing disparity between rents and Local Housing Allowance	Unaffordable rents. Increase in number of people presenting as homeless to the council.		<p>Unique package to support landlords</p> <p>Social lettings agency</p> <p>Financial incentives</p>	➡	Situation with welfare reform remains as before, and the existing links and risk of rent shortfall and risk of homelessness remains.
CR17 HRC S002	Delivery of Digital Transformation	Wasted financial and resource investment Customer dissatisfaction Inefficient service delivery		Regular project monitoring by MT and the IT and Digital Advisory Board	➡	No change to last assessment. Recruitment ongoing.
CR17 POL0 03	Ashford College - delivery of phase 1a project to time	Removal of ability for the college to deliver engineering courses in Ashford Non-delivery of ABC		Ongoing monitoring with College	➡	Delivery of Phase 1a continues to be a priority for the College and potential future providers. West Kent and Ashford College has now gone into education administration. A

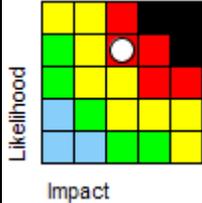
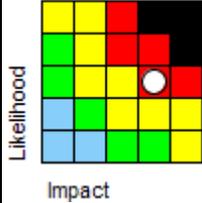
Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
		part funded college building within timeframes of the funding agreement				recommendation from the Further Education commissioner is to split the College with the Ashford Campus being operated by the East Kent College Group in the future. Chief Executive and Economic Development Manager are having regular meetings with all parties to consider the implications for all parties involved. The council is continuing to lobby for the delivery of Phase 1a.

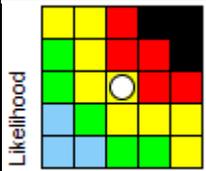
Financial risks

Report Type: Risks Report

Report Author: Charlotte Hammersley

Generated on: 19 September 2019

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 HPC0 04 Page 26	Downturn in the economy leads to reduction in parking income.	Negative impact on Medium Term Financial Plan.		Income monitoring	↑	The risk profile has been amended to reflect increased wider economic risks and in line with broader corporate assessment. Some fluctuations by car park are inevitable especially for new sites but all are showing increased activity at present. Ability to adapt pricing and marketing arrangements in light of any decrease in demand. Review of parking charges scheduled this year for implementation from April 2020.
				Promotional campaigns to increase take up.		
CR17 PRO P002	Inability to make expected return on commercial investment portfolio	Reputational damage of not delivering strategic projects. Financial loss to the council which would impact on the councils Medium Term Financial Plan.		Monthly monitoring with developer of Elwick Place	↑	In line with the budget monitoring report for the first quarter. Elwick Place: Interests for unit 7b and unit 3 in addition in securing unit 6 Dansaki. The rents below commercial target rents, needs to be closely monitored. Temporary use for the remaining units being considered.
				Potential to consume any shortfall within the total Elwick Place project budget.		
				Regular review of tenancies at		

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note	
Page 27		Potential loss of income by not achieving the minimum rent at Elwick Place to cover quality maintenance. Inability to let the units at Carlton Road could lead to the need to repurpose or sell the site.		International House with portfolio holder and marketing agent. Established tenants on mid-term leases at International House. Monthly review of the market with agent (Carlton Road) Current demand for similar product to Carlton Road elsewhere		Carlton Road: Interest in the units has reduced and are awaiting the outcome of BREXIT to be known. International House: progress has been made with letting the 11th floor (principle space which remains) with 50% of the space is under offer and is at Heads of Terms.	
	CR17 PRO P008	Long term viability of Park Mall due to reduction in number of tenants or increased maintenance costs	Impact on town centre economy Impact on council's MTFP Reputational impact	 <p>Likelihood</p> <p>Impact</p>	Regular meetings with marketing and management agents Lettings Strategy	—	The risk profile remains unchanged. Whilst there is a growing budget pressure, tenancies profile remains relatively unchanged.

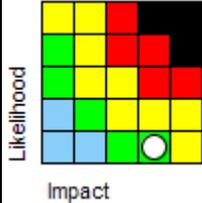
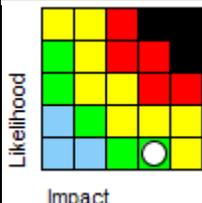
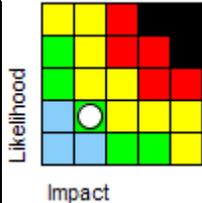
Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 PRO P011	Ongoing maintenance liabilities exceeded available budget.	Standard of maintenance reduced. Only necessary maintenance carried out.		Programme management & PID process Corporate asset management review		A schedule of repairs and renewals is being produced to assist with the prioritisation of works. The focus is currently on necessary maintenance (lease obligations, statutory compliance and Health and Safety requirements).

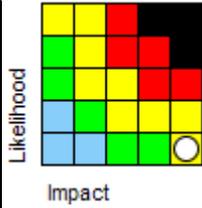
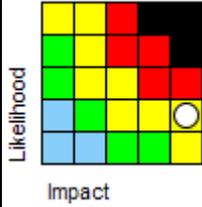
Compliance risks

Report Type: Risks Report

Report Author: Charlotte Hammersley

Generated on: 19 September 2019

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 FINIT 002	Not achieving codes of compliance: pci and Public Services Network	Potential to stop the council being able to communicate with other public sector organisations.		Patching, firewall, policy rules	■	PSN connection compliance achieved for period to 20th Aug 2020. Remediation plan accepted by Cabinet Office assessors, including retirement of Win 7 desktops & Win 2008 servers by agreed time.
CR17 FINIT 005	Loss of the Kent Public Services Network (KPSN) and services it provides	Potential to stop the council being able to communicate with other public sector organisations.		Externally managed	■	Risk profile remains the same as last quarter. There is currently a major KPSN project taking place to upgrade this network to 10Gb at the core and by design a more resilient network for all Kent users.
CR17 FINNI T001	Loss or theft of portable devices and data stored on them	Potential breach of council or personal data. Reputational damage.		Remote working and portable devices guidance Portable devices encrypted Data Protection Impact Assessment	■	Risk profile remains the same as last quarter. MDM solution (AirWatch) has been purchased to allow for portable devices to be wiped remotely in the event that they are lost or stolen. The solution now needs to be rolled out across the authority.

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 HPC0 13 Page 30	Non-compliance with Health Safety Act and Regulations	Reputational Financial fines from the Health and Safety Executive Loss of working days Death or serious injury		Risk assessments	-	All core corporate policies and procedures up-to-date and an active training progress is maintained. The council has a satisfactory record of compliance and strong welfare support for staff.
				Health and Safety Policies and Procedures		
				Mandatory and targeted training programme		
				Service compliance audits		
				Management Team trained on leading safely		
				Six monthly report to Management Team		
CR17 LEG0 01	Insufficient resources in the event Election is called at short notice	Mistakes during election Staff morale Customer satisfaction Reputational damage		Increased staff hours and pay during election period.	+	This risk profile remains unchanged. At present it is considered that there are sufficient resources if a snap election was called. This has been tested earlier in the year when the Elections Team were able to mobilise resources to run the EU elections smoothly in May 2019.
Well developed corporate support system						

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 LEG0 04	Non-compliance with GDPR	ICO fines Enforcement notices Reputational damage Customer dissatisfaction	<p>Likelihood</p> <p>Impact</p>	GDPR action plan Service briefings Dedicated resource Staff training Information Governance Group Consultant legal support for key policies Information Commissioner Office registration		The risk profile remains the same. Services are currently being asked to update their Records of Processing Activity (RoPA) for review by the council's Corporate Information Governance Group. This is an area which will require focus over the coming year. The recent consultation carried out across the Mid-Kent authorities found Ashford's response to GDPR to be appropriate but highlighted some areas of non-compliance with the RoPA. Areas of strength identified during the consultation include the Council's Individual Rights Policy and its approach to email retention.

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Agenda Item 7



ASHFORD
BOROUGH COUNCIL

Agenda Item No: 7
Report To: Audit Committee
Date of Meeting: 26 September 2019
Report Title: Annual Audit Letter
Report Author & Job Title: Grant Thornton
Portfolio Holder N/A
Portfolio Holder for:

Summary: The attached Letter summarises the key findings arising from the annual audit work carried out at Ashford Borough Council and its subsidiaries for the year ended 31 March 2019.

The Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public.

Key Decision: No
Significantly Affected Wards: None
Recommendations: **The Committee is recommended to:-**

I. Note the Letter

Financial None

Financial Implications: The letter details the fee outturn for the work which includes £7,200 for additional work across a number of areas.

Legal Implications N/A

Equalities Impact Assessment N/A

Other Material Implications: N/A

Exempt from Publication: NO

Contact: Maria.hadfield@ashford.gov.uk – Tel: (01233) 330545

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The Annual Audit Letter for Ashford Borough Council

Year ended 31 March 2019
September 2019



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Appendices

- A Reports issued and fees

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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Ashford Borough Council (the Council) and its subsidiaries (the group) for the year ended 31 March 2019.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 30 July 2019.

Our work

Materiality	We determined materiality for the audit of the group's financial statements to be £2.345 million, which is 2% of the group's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the group's financial statements on 14 August 2019.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 14 August 2019.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2019. We will report the results of this work to the Audit Committee separately.
Certificate	We certified that we have completed the audit of the financial statements of Ashford Borough Council in accordance with the requirements of the Code of Audit Practice on 14 August 2019.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Audit of the Financial Statements

Our audit approach

Materiality

In our audit of the group's financial statements we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group financial statements to be £2.345 million, which is 2% of the group's gross revenue expenditure. We determined materiality for the audit of the Council's financial statements to be £2.344 million, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the group's financial statements are most interested in where the group and Council has spent its revenue in the year.

We set a lower threshold of £117,000 above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the other information published with the financial statements (including the Narrative Report) and the Annual Governance Statement to check that this information is consistent with our understanding of the Council and with the financial statements on which we give our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of land and buildings The Council regularly revalues its land and building assets. The valuation of these assets represents a significant estimate by management in the financial statements.</p> <p>We designed our work to address the risk that the valuation of land and building assets was materially misstated.</p>	<p>As part of our audit work we;</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the calculation of the estimate, including review of the instructions issued to the Council's external valuer; • considered the competence, expertise and objectivity of the external valuer; • tested that revaluations were correctly entered into the Council's accounting records; and • evaluated how management satisfied themselves that the carrying value of those land and building assets not revalued during the year was not materially different to current value. 	<p>The group accounts consolidate transactions in respect of A Better Choice for Property Development Ltd. The company's balance sheet included an amount of £7,484,316 for the value of investment properties under construction at 31 March 2019. This balance was overstated by £800,000. Management concluded that this amount was not material and the accounts were not amended. We concluded that the issue was not material for our opinion.</p> <p>Our audit work did not identify any other issues in respect of the valuation of land and buildings.</p>

Audit of the Financial Statements

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of net pension liability</p> <p>The Council's financial statements include a net liability in respect of the Local Government Pension Scheme (LGPS). This represents a significant estimate in the financial statements.</p> <p>We designed our work to address the risk that the pension fund net liability was materially misstated.</p>	<p>As part of our audit work we;</p> <ul style="list-style-type: none"> identified and evaluated the controls put in place to ensure that the pension fund net liability was not materially misstated; evaluated the competence, expertise and objectivity of the actuary who carried out the pension fund valuation; performed work to confirm the reasonableness of the assumptions made by the actuary; checked that the information on pensions included in the financial statements was consistent with the actuary's report; and obtained assurance from the auditor of Kent County Council regarding the operation of controls in the pension scheme it administers on behalf of the Council. 	<p>In December 2018 the Court of Appeal ruled that transitional protections in some public sector pension schemes were discriminatory on the basis of age, the so-called "McCloud" judgement. This ruling had implications for other pension schemes, including the LGPS. On 27 June 2019 the Supreme Court refused the government permission to appeal against the judgement. Following the conclusion of the legal process this judgment is likely to give rise to additional pension scheme liabilities for the Council.</p> <p>The Council's actuary estimated that the impact of the ruling was to increase the Council's overall pension liabilities at 31 March 2019 by £1,330,000. The accounts were amended to include these liabilities.</p> <p>Our audit work did not identify any other issues in respect of the valuation of the pension fund net liability.</p>

Audit of the Financial Statements

Audit opinion

We gave an unqualified opinion on the group's financial statements on 14 August 2019.

Issues arising from the audit of the financial statements

We reported the key issues from our audit to the Council's Audit Committee on 30 July 2019. These included the key findings arising from our work on significant risks.

We raised an issue with management relating to the categorisation of financial instruments totalling £21,986,000. Management agreed to recategorise these instruments at the relevant disclosure note. There was no impact on the Council's balance sheet. This issue also led to an adjustment of £369,000 on the Comprehensive Income & Expenditure Statement, although there was no net impact on Total Comprehensive Income and Expenditure.

We did not identify any other errors which required an adjustment to the primary financial statements.

The group's accounts were again prepared to a high standard.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with our knowledge and with the Council's financial statements.

Whole of Government Accounts (WGA)

We carried out work in accordance with instructions issued by the NAO. We issued an assurance statement confirming that a review of the Council's data collection tool was not required as the values in the financial statements were below the specified threshold.

Certificate of closure of the audit

We certified that we have completed the audit of the financial statements of Ashford Borough Council in accordance with the requirements of the Code of Audit Practice on 14 August 2019.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the risks where we concentrated our work.

The risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019.

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial sustainability</p> <p>The Council continues to face significant financial pressures associated with reductions in government funding.</p> <p>A strong financial planning framework is key to the Council maintaining a sustainable financial position and delivering its key objectives over the medium term.</p> <p>We reviewed the Council's medium term financial plan and the supporting information trails.</p>	<p>The Council has a history of sound financial management. In recent years it has been proactive in addressing sustained reductions in government funding, including a focus on developing other income streams. This has continued in 2018/19, with a significant increase in the number and value of investment properties held through the Council's subsidiary property company and the incorporation of a separate subsidiary for property development. The Council anticipates it will also benefit from increasing rental income streams, including those associated with the Elwick Place regeneration project which opened in December 2018.</p> <p>The Council is aware that there continues to be significant uncertainties for financial planning going forward. Historically it has benefited from significant growth in business rates income, and in 2018/19 from membership of the Kent business rates pilot, but there are uncertainties over the future framework for the localisation of business rates. The future impact of the Fair Funding review across local authorities is also unclear. The level of income the Council receives from New Homes Bonus funding, which in part helps support its base budget, is reducing.</p> <p>However, the Council continues to have a robust financial planning framework. This is based on a 5 year Medium Term Financial Plan (MTFP) which is updated annually and aligned with the budget-setting process. The Council's objective is to be self-sufficient over the lifetime of the plan. A review of supporting trails shows that the MTFP is based on a comprehensive consideration of the relevant income and expenditure streams. The most recent version of the MTFP shows a revenue budget gap of approximately £750,000 over the five-year period of the plan; levels of usable reserves are forecast to be £40.3m at the end of the plan period.</p> <p>The Council continues to have a significant medium term capital programme, the potential costs of which are reflected in the planning framework. The latest HRA Business Plan shows an increase in borrowing levels following the abolition of the HRA debt cap in October 2018. However the plan indicates that the Council's housing capital investment programme remains affordable.</p>	<p>We concluded that the risk we identified was sufficiently mitigated and that the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources.</p>

Value for Money conclusion

Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>The government is in continuing negotiations with the EU over Brexit, and there is uncertainty over the future impact for public services and the wider economy.</p> <p>We considered the action taken by the Council, including the wider preparations across local authorities in Kent, to mitigate any risks around Brexit.</p>	<p>At the time of our Audit Plan the anticipated date of leaving the European Union was 29 March 2019. The anticipated date of leaving is now 31 October 2019.</p> <p>For risk assessment purposes the Council and other authorities locally are focused on the risks associated with a “Day one” No Deal Brexit, and the need to continue delivering services with minimal disruption. Many of these risks are being addressed at a Kent-wide level through the Kent Resilience Forum (KRF). The KRF first produced a Threat and Risk Assessment matrix during 2018/19, and this risk assessment continues to be updated. Currently the most significant risks relate to cross-channel disruption and transport issues; for these a number of multi-agency contingency plans are in place, e.g. Operations Fennel, Brock and Perch, and these continue to be refined in co-ordination with government departments. As a participant the Council has access to the planning resources of the KRF and officers regularly attend the Strategic and Tactical Command Groups.</p> <p>Locally the Council has established a Brexit Management Team to assess local risks, develop mitigation strategies, co-ordinate with other agencies and identify longer-term opportunities. During 2018/19 this local work has included review of business continuity and financial plans and a series of actions to prepare for any potential disruption around exit day and the immediately following period; these included a review of payment and loan maturity dates, consideration of data information and system issues and development of a communications plan.</p> <p>The Brexit Management Team remains in place and the Council is continuing to make preparations for the new departure date at the end of October. These include updating the Council’s plans for individual services such as waste collection and preparing a Brexit checklist for service managers.</p>	<p>We concluded that the risk we identified was sufficiently mitigated and that the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources.</p>

A. Reports issued and fees

Report	Date issued
Audit Plan	March 2019
Audit Findings Report	July 2019
Annual Audit Letter	September 2019

Fees

	Planned £	Actual fees £	2017/18 fees £
Statutory audit 2018/19	46,439	53,639	60,311
Total fees	46,439	53,639	60,311

The additional fee relates to work we were required to perform in a number of areas over and above that originally envisaged in our audit plan as set out in the table opposite. We have agreed this additional fee with management, although the fee variation remains subject to approval by Public Sector Audit Appointments.

Fees for non-audit services

	Planned £	Actual fees £	2017/18 fees £
Audit related services	10,500	TBC	12,612
- Certification of Housing Benefit Subsidy claim (from 2018/19)			
Total fees for non-audit services	10,500	TBC	12,612

We have considered whether non-audit services might be perceived as a threat to our independence as the Council's auditor and have ensured that appropriate safeguards are put in place.

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	2,000
Pensions – IAS 19	The Financial Reporting Council has concluded that improvements are required in the scope and coverage of work by audit firms on IAS 19 issues across local government audits. We have increased the scope and coverage of our work on IAS 19 issues this year in response to these findings.	1,200
PPE Valuation – work of experts	The Financial Reporting Council has concluded that improvements are required in the scope and coverage of work by audit firms on PPE valuation issues across the sector. We have increased the scope and coverage of our work on PPE valuation issues this year in response to these findings. We also specifically increased audit input to assess the approach to council house valuation.	1,600
IFRS9 : Financial Instruments	In 2018/19 the Council elected a number of holdings in collective investment vehicles to FVOCI. Our review of this decision required us to perform additional work, including a technical review of the Council's legal opinion.	2,400
Total		7,200

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a tailored audit approach

Our relationship with our clients– why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLCAE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability – Adult Social Care funding gaps and pressure on Education, Housing, Transport
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, housing delivery changes, Children services and Adult Social Care restructuring, partnership working with the NHS, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example accounting for unique assets, financial management, reporting and governance, and tax implications for the Cornwall Council companies
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery

- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise

Our connections

- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people

- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality

- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

Our technical support

- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies



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Audit Committee - Future Meetings

2019/2020

Dates to Note			
Date of Meeting	01/10/2019		
Publication of Agenda Date	20/09/19		
Reports to Management Team	05/09/19		
Full Council	17/10/19		
Items for Inclusion on the Audit Agenda			
Theme - Agreeing the internal control structure			
Part I - For Decision			
1	Internal Audit Charter	RC	
2	Corporate Enforcement Support & Investigations Team Annual Report 2018/19	DD	
3	Strategic Risk Management	LF/CH	
Part II - Monitoring/Information Items			
5	External Audit Progress Report	Gr Th	
6	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting	03/12/2019		
Publication of Agenda Date	21/11/19		
Reports to Management Team	07/11/19		
Full Council	12/12/19		
Items for Inclusion on the Audit Agenda			
Theme – 6 monthly review on progress			
Part I - For Decision			
1	Annual Governance Statement – Progress on Remediating Exceptions	LF	
2	Brexit	TWM	
Part II - Monitoring/Information Items			
3	Annual Audit Letter 2018/19	Gr Th	

4	Internal Audit Interim Report	RC
5	External Audit Progress Report	Gr Th
6	Report Tracker & Future Meetings	KM

Dates to Note			
Date of Meeting	17/03/2020		
Publication of Agenda Date	06/03/2020		
Reports to Management Team	05/03/2020		
Full Council	16/04/2020		
Items for Inclusion on the Audit Agenda			
Theme - The year ahead			
Part I - For Decision			
1	Certification of Grant Claims – Annual Letter	Gr Th (cover by ABC)	
2	Presentation of Financial Statements	MS	
3	Risk Management Framework update – Presentation	LF/CH	
4	Approval of Annual Governance Statement	CH	
5	Internal Audit and Assurance Plan 2020/21	RC	
6	Brexit	TWM	
Part II - Monitoring/Information Items			
7	The External Audit Work Plan for Ashford Borough Council 2019/20	Gr Th (cover by ABC)	
8	Report Tracker for Future Meetings	KM	

Dates to Note			
Date of Meeting	16/06/2020		
Publication of Agenda Date	05/06/2020		
Reports to Management Team	04/06/2020		
Full Council	16/07/2020		
Items for Inclusion on the Audit Agenda			
Theme - Are we happy with the internal control environment			
Part I - For Decision			
1	An Early Look at the Statement of Accounts for 2018/19 (including member training)	MH	
2	Internal Audit Annual Report 2018/19	RC	
3	Annual Report of the Audit Committee 2018/19	RC	
4	Approval of Annual Governance Statement 2018/19	CH	
Part II - Monitoring/Information Items			
5	External Audit Fee Letter	Gr Th	
6	External Audit Progress Report	Gr Th	
7	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting	21/07/2020		
Publication of Agenda Date	10/07/2020		
Reports to Management Team	02/07/2020		
Full Council	15/10/2020		
Items for Inclusion on the Audit Agenda			
Theme - External review of control environment			
Part I - For Decision			
1	Statement of Accounts 2018/19 and the External Auditor's Audit Findings Report	Gr Th (cover by ABC)	
2	2018/19 Financial Statements – Letters of Assurance to External Auditors	BL	
Part II - Monitoring/Information Items			
3	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting	29/09/2020		
Publication of Agenda Date	18/09/2020		
Reports to Management Team	03/09/2020		
Full Council	15/10/2020		
Items for Inclusion on the Audit Agenda			
Theme - Agreeing the internal control structure			
Part I - For Decision			
1	Internal Audit Charter	RC	
2	Corporate Enforcement Support & Investigations Team Annual Report 2018/19	DD	
3	Strategic Risk Management	LF/CH	
4	Brexit	TWM	
Part II - Monitoring/Information Items			
5	External Audit Progress Report	Gr Th	
6	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting	01/12/2020		
Publication of Agenda Date	20/11/2020		
Reports to Management Team	05/11/2020		
Full Council	10/12/2020		
Items for Inclusion on the Audit Agenda			
Theme – 6 monthly review on progress			
Part I - For Decision			
1	Annual Governance Statement – Progress on Remedying Exceptions	LF	
2	Brexit	TWM	
Part II - Monitoring/Information Items			
3	Annual Audit Letter 2018/19	Gr Th	
4	Internal Audit Interim Report	RC	
5	External Audit Progress Report	Gr Th	

6	Report Tracker & Future Meetings	KM
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20 September 2019

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